UNITED
NATIONS

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Security Council

Distr.
GENERAL

S/1999/1177
17 November 1999

ORIGINAL: ENGLISH

LETTER DATED 17 NOVEMBER 1999 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith a report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait pursuant to paragraph 10 of Security Council resolution 1242 (1999) of 21 May 1999 (see annex). The report was approved by the Committee on 17 November 1999.

(Signed) A. Peter VAN WALSUM
Chairman
Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

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Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995)

I. INTRODUCTION

1. The present report is submitted to the Security Council pursuant to paragraph 10 of its resolution 1242 (1999) of 21 May 1999, in which the Committee was requested, in close coordination with the Secretary-General, to report to the Council prior to the end of the 180-day period beginning on 25 May 1999 on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) of 14 April 1995. The present report, the twelfth of its kind, covers the Committee's major activities with regard to the implementation of the above arrangements during the second 90-day period of phase VI of the oil-for-food programme since paragraph 1 of resolution 1242 (1999) came into force on 25 May 1999.

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

2. Since the beginning of phase VI, the export of petroleum from Iraq has proceeded smoothly, with excellent cooperation among the oil overseer, the independent inspection agents (Saybolt), the Iraqi State Oil Marketing Organization and the national oil purchasers.

3. The overseers continued to advise the Committee on the oil-pricing mechanisms, oil contract approval and modifications, management of the revenue objective and other pertinent questions related to export and monitoring under Security Council resolutions 986 (1995), 1175 (1998), 1242 (1999) and 1266 (1999). With the adoption, on 4 October 1999, of resolution 1266 (1999), the Council authorized States to permit the import of petroleum and petroleum products originating in Iraq up to an additional sum of $3.04 billion for phase VI, equivalent to the total shortfall of revenues authorized but not generated under resolutions 1210 (1998) and 1153 (1998), beyond that already provided for by resolution 1242 (1999).

4. As at 10 November 1999, the Committee, on the recommendation of the overseers, had reviewed and approved a total of 80 oil contracts for the sale of oil in phase VI, involving purchasers from 34 countries. The total quantity of oil approved for export under those contracts was approximately 391 million barrels for phase VI. All contracts submitted used the pricing mechanisms approved by the Committee, on the recommendation of the overseers.

5. As at 10 November, 273 liftings, totalling 357.8 million barrels worth $6,692 million, have been completed. Letters of credit opened for each of the liftings were reviewed and confirmed by the overseer in accordance with the terms and conditions of the approved contracts. About 43 per cent of the liftings were made at Ceyhan, Turkey, and this proportion will remain about the

same until the end of phase VI. The Committee will continue to monitor this situation closely. The total estimated revenue for phase VI should be around $7.3 billion, including the pipeline fees valued at $207 million.

6. The overseers have worked with the independent inspection agents (Saybolt) to ensure the effective monitoring of the relevant oil installations and the liftings. The overseers received full cooperation from the Iraqi authorities.

7. Pursuant to paragraph 2 of the procedures of the Committee (S/1996/636), 410 national oil purchasers, who are authorized to communicate directly with the overseer, have been nominated from 63 countries.

8. Pursuant to paragraph 14 of the procedures of the Committee, the overseers have continued to report once a week on the contracts considered by them concerning the sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. To date, 151 reports have been submitted to the Committee.

9. As mentioned in the Committee's previous report (S/1999/907, para. 11), there was only one oil overseer on duty as from 1 July 1999, and the situation remains unchanged as at today. His hard work is appreciated by the members of the Committee, who will continue to work towards filling the vacancies in the overseer team as provided for in paragraph 1 of the Committee's procedures.

III. HUMANITARIAN SUPPLIES TO IRAQ

10. As in previous phases, during the second 90-day period of phase VI, the Committee continued to attach high priority to the work of processing contracts for the supply of humanitarian goods to Iraq.

11. As at 10 November 1999, the Secretariat had received 1,232 applications under phase V for exports of humanitarian supplies to Iraq. Of that total, 40 were subsequently cancelled, 1,104 have been circulated to Committee members for action and 88 are still being processed. Of those sent to the Committee for consideration, 892 have been found eligible for payment from the United Nations Iraq Account, totalling approximately $1.5 billion; 9 are still pending under the "no-objection" procedure; and 203, with a total value of $537 million, have been placed on hold. During the same period of time, the Secretariat received 817 applications under phase VI for exports of humanitarian supplies to Iraq, 607 of which have been circulated to Committee members for action and 128 of which are still being processed. Of those sent to the Committee for consideration, 443 have been found eligible for payment from the United Nations Iraq Account, totalling approximately $999 million. Thirty-three are still pending under the "no-objection" procedure; and 131, with a total value of $307 million, have been placed on hold.

12. The work of goods-arrival confirmation by the United Nations independent inspection agents (Cotecna) has continued, in accordance with the established procedures, at the four entry points to Iraq, at Al-Walid, Trebil, Umm Qasr and Zakho. As in previous phases, the Iraqi authorities have accorded the independent agents full cooperation in their work. During the second half of

phase VI, 4,850 consignments of humanitarian supplies from current and previous phases have been confirmed as having arrived in Iraq in full or partial shipments.

13. In accordance with the recommendations contained in the letter dated 22 October 1999 from the Secretary-General to the President of the Security Council (S/1999/1086), members of the Committee will continue the practice of keeping under review those humanitarian contracts that have been placed on hold.

IV. MATTERS RELATING TO OIL SPARE PARTS AND EQUIPMENT TO IRAQ

14. Since the adoption of resolution 1175 (1998) on 19 June 1998, the Committee has discussed on a number of occasions the issue of using up to $300 million from the escrow account to supply oil spare parts and equipment to Iraq, as referred to in paragraph 1 of that resolution and reaffirmed in paragraph 9 of resolution 1242 (1999).

15. The Committee has made continuous efforts to expedite the approval process for contracts for sending oil spare parts and equipment to Iraq in accordance with existing procedures. The Committee held informal consultations on the issue and invited the oil experts from Saybolt Nederland BV, the independent agents monitoring Iraq's oil exports under resolution 986 (1995), to brief the Committee on 20 October on the monitoring of oil spare parts and equipment and on the impact of holds on such contracts. On that same occasion, the members of the Committee discussed the letter dated 12 October 1999 from the Secretary-General to the President of the Security Council (S/1999/1053), in which he recommended an increase of $300 million in the allocation for oil spare parts and equipment.

16. During the period covered by the present report, the Secretariat has received 206 new applications valued at $124 million to export oil spare parts and equipment to Iraq and has circulated 174 applications to the members of the Committee for consideration, including those left from previous resolutions. A total of 126 applications worth $73.2 million have been approved during this period, including 28 applications valued at $19.3 million, which were released from previous holds since the Committee's previous report. At the same time, 79 contracts valued at $57.3 million have been placed on hold (with 6 of them valued at $2.2 million subsequently released from holds).

17. From the beginning of the process to 10 November, the number of applications received by the Committee to ship oil spare parts and equipment to Iraq under previous resolutions reached a total of 1,311, with a value of $682.1 million. Of those, 1,108 have been circulated to the members of the Committee for consideration, 3 are being reviewed by customs experts awaiting amendments to the distribution plan, 88 have been returned to the applicant missions for clarification and 45 have been declared null and void. Of the 1,108 applications circulated, 783, with a total value of $396.5 million, have been approved; 309, valued at $160.5 million, have been placed on hold; and 16 applications are pending under the "no-objection" procedure. As at 10 November, 385 such shipments worth $152,609,785 had arrived in Iraq in full or in part.

18. Members of the Committee intend to continue the practice of keeping under review those contracts for oil parts and equipment that have been placed on hold, in accordance with the letter from the Secretary-General to the President of the Security Council (S/1999/1086).

V. OTHER ACTIVITIES

19. The Committee has held three meetings and six informal consultations at the expert level during the reporting period to discuss various issues related to the implementation of the oil-for-food programme. The Committee considered, inter alia, the following issues:

(a) Members of the Committee discussed intensively the increase in oil revenues, which led to the adoption by the Security Council of resolution 1266 (1999);

(b) Members of the Committee discussed intensively the issue of oil spare parts, the impact of holds on such contracts and the monitoring of oil spare parts in Iraq;

(c) Members of the Committee continue to discuss the humanitarian situation in Iraq and the monitoring and observation undertaken by United Nations observers in accordance with resolution 986 (1995) and related resolutions. During the reporting period, the members of the Committee heard briefings from the Office of the Iraq Programme and Saybolt on their observation mechanisms and from the United Nations Humanitarian Coordinator in Iraq on the humanitarian situation;

(d) During the second half of phase VI, members of the Committee continued their discussion of a paper prepared by the Office of the Iraq Programme concerning contracts with payment mechanisms. Some contracts containing such clauses were subsequently amended and circulated to the Committee for action. Other contracts in this category were distributed to the Committee without amendment.

VI. CONCLUSIONS

20. The Committee will continue working closely with the Office of the Iraq Programme and all parties concerned to ensure the effective implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995). As in the past, the Committee wishes to reiterate its appreciation to all parties concerned for their cooperation and contribution.